

taining complete silence as to its intentions, the suggestions made by Lloyd George that the American troops could be withdrawn from Germany at the expense of the British Empire.

An outbreak of the situation in the present belief in Washington that any preliminary negotiations looking to re-establishment of American relations with Europe will originate and will be conducted in Washington.

Before entering into any negotiations with the Allies, the United States will want to know where it stands. The disputes with the principal allied powers over the American reservation as to the island of Yap and as to mandate rights in Mesopotamia and the cable controversy are still outstanding. Questions of allied debts to the United States have undergone suspicious juggling, while the application of an export duty of 12 per cent. upon German exports is regarded as an effort to saddle part of the German reparations on this country.

The Government of the United States, it has been made clear, will want direct assurances of these subjects before it enters into negotiations of any character.

It is recalled here that hope of continued amity and even more friendly relations between France and America were expressed in the significant telegram of congratulations which President Millerand sent to President Harding. The American President replied by hoping for the same result, but with equal significance added, "if possible."

As the situation in Europe now stands, leaders of American thought and opinion are high in power regard to the future peace of the world. They believe some one must step in and aid in adjusting the matter and are hopeful the Allied Powers may finally accept the compelling reasons they believe exist.

BERLIN CHARGED WITH BAD FAITH BY BAVARIA

Munich Government Strident Over Disarmament Bill.

By the Associated Press.

MUNICH, March 13.—The members of the Bavarian Ministry are unusually frank in indicating their sentiments toward the Berlin Government since the news has been received of the adoption by the Reichstag of the measure providing for the disarmament of the civilian guards. The Berlin Cabinet is charged with bad faith in that, it is alleged, it directly promised the Von Kahr Ministry that no steps would be taken in connection with disarmament in the event that the London negotiations were broken off.

The Munich Government charges Berlin with failure to present a draft of the law before putting it to a vote and with failure further to consult with Premier von Kahr on the subject. The Bavarian Premier, it is said, still hoped that the Munich Government would be able to agree with the Reichsbank Ministry upon a formula which would have resulted in a mutually satisfactory compromise.

The coalition party and non-socialist groups are vehement in their denunciation of Berlin's procedure. The Bavarian Minister declares that "Von Kahr's Ministry has been misled by Berlin."

The Munich-Augsburg Evening Gazette says that Bavaria does not dream of disbanding the Einwohnerwehr at this time. The Neue Nachrichten, the Liberal paper, thinks that the mere suggestion of such action at this time is sheer madness.

The Cabinet is said to adhere to the attitude reflected in its communication to the Berlin Government of February 13, in which it declared that while basically it agreed to a dissolution of the Einwohnerwehr, it did not consider the present moment for such a decision. It was in view of the internal situation.

Most of the papers charge the Berlin Government with "how-towing" to the socialists and say that Bavaria does not propose to take another chance at being converted into a Soviet republic, in view of the sanguinary experiences of two years ago. The deputies representing the People's Party in the Reichstag have been urged to withdraw from the central Government coalition.

The centenary of the birth of the late Kaiser Wilhelm II. is being celebrated in various ways. The demonstrations were virtually directed against the Central Government, and other meetings are being planned for March 15, the day set for the dissolution of the Einwohnerwehr.

BERLIN, March 12 (delayed).—The Federal Council has adopted the Government's draft law providing for the definite dissolution of all German civilian guards and self-defense organizations. Bavaria's seven votes were the only ones cast in opposition to the measure. This threatens to bring to a head the long expected clash between the Central Government and Bavaria, which stubbornly opposes the breaking up of the powerful system of Einwohnerwehr and local committees formed to maintain law and order.

"In the name of Bavaria," said the representative, "I emphatically protest against this law, which is inimical to the Government's prestige and policy."

Minister of the Interior Koch, speaking for the Government, denied there was justification for Bavaria's attitude. He said the Government was fulfilling "a sad duty" in making the law, and that failure to pass the measure would have been a welcome opportunity to get into further trouble.

The Minister declared that the bill would meet an obligation under the Versailles treaty which Germany could not escape. The Central Government, the Minister added, would carry out its mission, inasmuch as it had assumed responsibility for it.

The bill will now go to the Reichstag, where it is asserted a safe majority awaits it.

ITALIANS EXPECT ANOTHER CONFERENCE

Italy, France and Britain Must Be United, Says Sforza.

By the Associated Press.

LONDON, March 13.—Count Sforza, the Italian Foreign Minister, before leaving London today for Rome, expressed gratification that the Reparations Conference had proved "that the world realizes the government of Italy, France and Great Britain must be united."

"What we want above everything else," said Count Sforza, "is peace and certainty that there will be no new convulsions. To this end our supreme aim should be to create a union between London, Paris and Rome. This I regard as an absolute necessity."

Other Italians connected with the mission expressed the opinion that the Germans soon would take some action which would necessitate a further conference, which probably would be held in Italy.

VIENNA PRESS ANGRY OVER ALLIED DEMANDS

Surrender of Cattle Declared to Mean More Deaths.

By the Associated Press.

VIENNA, March 12.—Newspapers comment indignantly on demands from the allied Reparations Commission for the surrender of cattle to Entente Governments. They quote officials as declaring that the execution of such an order would mean the deaths of many children and aged persons, who are able to sustain life at present from the small supply of native milk supplemented by American canned milk.

It is declared the demand was instigated by the Serbian delegates on the Reparations Commission.

HIGH DIVIDENDS DO NOT REFLECT REAL GERMAN RECOVERY

One Must Distinguish Between Gold Capital and Paper Profits.

CASE OF KRUPPS CITED

Last Analysis Shows Year's Net Earnings to Be About \$13 to Employee.

Germany's Progress Toward Pre-war Activities

By the Associated Press.

THE NEW YORK HERALD publishes herewith the seventh of its series of ten articles portraying industrial conditions in Germany to-day. This article emphasizes that the difference between Germany's apparent recovery and its real condition is the difference between gold and paper. The article is to be published to-morrow.

deals with the stand taken by Dr. Walter Simons, German Foreign Minister, in the recent reparations conference in London.

By RAYMOND SWING.

Special Correspondence to THE NEW YORK HERALD.

Copyright, 1921, by THE NEW YORK HERALD.

New York, Feb. 23.

The difference between paper and gold profits is the difference between Germany's apparent recovery and her real situation. High German dividends are being paid in paper marks on a capitalization which either remains in gold marks or is a capitalization somewhat increased.

If industrial capitalization represents the actual investment made in equipment before the war, dividends must be changed to gold marks to become the rate of profits the investment really has earned.

Any one who cites German dividends as a proof of recovery and does not at the same time distinguish between gold capital and paper profits is either superficial or deceitful.

The fourteen largest coal, steel and iron companies in Germany had in 1919-20 a total capital of 962,500,000 marks, an increase from 1918-19 of 124,500,000 marks, or 12 1/2 per cent. This capital represented in the main gold mark investment, and in paper marks this investment is worth today in round numbers 10,000,000,000 marks.

These fourteen companies declared in 1919-20 a total dividend of 132,000,000 marks, or 13 1/2 per cent. But on the real value of the investment the dividend was 1.3 per cent, or lower than in their poorest year in peace times. These companies had for both reserve and depreciation charges about 198,000,000, or about 2 per cent of the value of their investment. Their entire dividends, reserve and depreciation charges allotted from their gross receipts were 230,000,000, or something less than the cost to build one modern two shaft mine in Germany to-day. The normal 5 per cent rate for depreciation could not have been booked, even had the dividends been passed.

German Paper Quoted.

The Deutsche Bergwerks Zeitung, commenting on the reports of these same fourteen companies, writes:

"Naturally the companies wished to maintain the payment of dividends, since shareholders cannot be expected entirely to renounce dividends in view of the great risk they run and of the still uncertain future. It also seemed inadvisable to suspend dividends out of consideration for the present and future demands which the industry will make on the money market."

"The choice lay between strengthening the financial position of the various companies and the giving of consideration to the shareholders and the money market. The only exception is the case of the Friedrich Krupp Company, whose shares are entirely in family possession, the dividend being passed in order to devote the whole of the profits to the strengthening of the undertaking and for welfare purposes."

"As compared with pre-war times the increase in the rates of dividends can be regarded as extremely small. The directors of the Rheinisch Steel Works Company state that notwithstanding the apparently large profits in comparison with former and present money values the results of trading have not been paralleled even in the most unfavorable peace years. This opinion can be applied to the

Atlantic City Pines Sunday and Easter. Additional terms: Atlantic City Limited will leave New York 2:15 P.M. every week day March 16 to 20. Return rates returnable. Ask agents for special time tables.

whole of the iron and steel industry in Germany."

The fourteen companies, with their dividends, are:

Company Dividends, per cent. 1919-20, 1918-19, 1917-18.

Phoenix 20 8 10
Rheinisch 19 10 10
Bochumer Verein 15 5 0
Deutsche-Lux 12 11 0
Krupp 9 6 12
Gutehoffnungshütte 20 6 10
Mannesmann 20 6 10
Hoesch 24 5 13
Bismarck 20 10 6
Hammeler Eisen 20 10 6
Laurensburg 20 10 6
Gelsenkirchener 8 10 6
Deutsche Eisen 10 10 6

Coal Profits Are Cited.

Last summer it was calculated that the coal operators were earning 2 marks (paper) profit on every ton of bituminous mined. On the production of 1920 that would be a total profit of the entire bituminous industry of 200,000,000 marks, or not much over \$4,000,000. In May, 1920, the Government refused an increase in coal prices despite an increase in wages, so that the operators are now producing at an actual loss.

Since German industrial capital represents on the whole actual investment in gold value it follows that shares with gold value have risen as the mark has fallen. Tabulations of the higher prices of German industrial stocks are cited to prove the increased prosperity of German industry. But they have no other significance than to prove that gold value shares retain their gold value no matter what the fluctuation of currency may be.

The case of the Krupp company is referred to as typical of German recovery. Here supposedly is a company restored to health, as is to be deduced from its net profits this year of 79,000,000 marks. The company has 92,200 employees, of whom 49,831 are in Essen, or virtually the number employed in peace time. In 1915 it devoted 30 per cent of its powers to war production, and in 1918 employed over 167,000 men and women. Yet now it has remodelled its plant and is working with a normal staff on peace products alone.

But here again superficial appearances may not reveal the entire truth. The number of employees is not as high as in 1913, but men work not seven and a half hours to-day as compared with ten and a half hours before, in consequence of the eight hour law.

Estimate by Krupps.

Besides, the Krupp directors estimate that the replacements and installations needed to keep the plant up to date for the next ten years, cost in round numbers 1,000,000,000 marks. In view of this estimate 35,000,000 marks of this year's profits was put in the special reserve fund, bringing it up to 45,000,000 marks. Twenty million marks was set aside to erect workers' dwellings, of which there is a disastrous shortage everywhere, thanks to the five years' pause in building. Another 20,000,000 was turned over to support the paternalistic Krupp foundations. The balance brought forward, 4,215,000 marks, accounts for the remainder of the Krupp profits. All told they had been worth about \$1,300,000, or a little more than \$13 to each employee.

These calculations of profits are made from the published reports of these companies. And no outsider can vouch for the sincerity of the book-keeping. But these are the same reports from which the astounding recovery of German industry is being deciphered. I cannot say that these reports do not pretend a poverty which does not exist or that at least they do not exaggerate the poverty. If German corporations are telling the whole truth in their annual reports they evince a social morality not often encountered in a nation now rather generally devoted to tax evasion.

The complaint of German industrialists is that the present policy of the Government to tax reserve funds is ruinous. It may be that some way to juggle accounts has been devised so that reserves can be laid away for replacements or to provide current capital without the tax collector finding it out. If the accounts actually are being falsified only highly trained industrial authorities who know each company thoroughly, more thoroughly than the German tax authorities, could detect it and so prove that the companies were on the way to an astounding recovery.

Need of Capital Is Keen.

Still, German industrialists themselves feel keenly the need of capital and are at swords' points with the financiers over the scarcity and expense of capital. The General Electric Company, which recently has in-

CAPITAL SHIP WILL REMAIN MAIN UNIT OF BRITISH FLEET

Construction of Four More Shortly Is Predicted in Forecast That Places Naval Budget Estimate Ten Million Pounds Under That of Last Year.

LONDON, March 14 (Monday).—The navy estimates for 1921-22, to be made public to-day, will show a reduction of some £10,000,000 on the net estimate for the last financial year, which was £84,372,300, according to a forecast in the London Times, whose political expert understands that, following upon the findings of the sub-committee of the Committee of Imperial Defence, the Government has decided in principle that the capital ship must continue to be the main unit of an effective fleet.

Outlining the present position, the correspondent says there are now thirty-eight capital ships, of which eight are obsolescent, if not obsolete, and adds that it is regarded as uneconomical to man such ships with expensive, highly trained personnel, consequently these eight are expected to be scrapped.

Adhering to the policy of the "One Power" standard, enunciated by Walter Hume Long, the former First Lord of the Admiralty, the Government, says the correspondent, considers that the remaining thirty capital ships constitute for the present an adequate basis for the maintenance of the one Power standard.

But at least four of these ships will presently be replaced, he says, and forecast continues, "the construction of four vessels to take their place will eventually be necessary."

The correspondent declares that expert opinion tends strongly to the view that delay in the construction of the new "post-Jutland ships" would not be justified, owing to the necessity of ordering the material in advance and utilizing the lessons of the war.

And the business men's party (Volkspartei) is making war on the tax policy of Erzberger (adhered to in the main by his successor, Dr. Wirth) because of its effect in crippling corporations in their effort to provide reserves. They condemn the present policy as demagogic, say it was formulated to satisfy labor and that instead of shifting the tax burden from the poor to the wealthy it gradually is throttling industry and aiding no one.

The outlook for industry is held to be by no means certain. Last year and this most companies followed the plan of the thirteen corporations already referred to and declared dividends instead of taking due account of depreciation. In other words, they pocketed this year's actual cost for one year of their machinery. And this was a temptation because of the tax situation, but no less so because of the high, almost exorbitant, cost of machinery.

The question of replacements presents an unpleasant puzzle. The replacement funds accumulated in 1918 were practically annulled by the fall of the mark. A machine costing 100,000 marks before the end of the war and already written off four-fifths may cost to-day 1,500,000 or even 2,000,000 marks, and the 80,000 laid aside for its replacement would hardly pay for the oil to keep it lubricated.

GERMANS POURING INTO SILESIA FOR PLEBISCITE

Naturalized Americans, Entitled to Vote, Arrive.

By the Associated Press.

BERLIN, March 12.—Special dispatches from the Upper Silesia plebiscite zones continue to reflect optimism with respect to the outcome of the balloting which will take place a week hence. All German parties are determined to endeavor to save the wealthy industrial sector to Germany. A pilgrimage of eligible voters from all corners in Germany to Upper Silesia now is in full swing. Special trains are being run everywhere.

The advance speculation predicts a certain German victory in all the important cities and towns. Upper Silesia, including Katowice and Lodz, is expected to roll up majorities of at least 95 per cent. in favor of the Germans. Gleiwitz, Katowice, Koesel, Koenigschuetz are also considered safe. The public official who will be on duty March 29 will be allowed to cast their votes in the plebiscite to-morrow. This includes the railway, postal and telegraph workers.

Each voter is to receive two ballots, one printed in German and the other in Polish. The ballot a person rejects must be torn up and deposited with the valid one in the ballot box.

Eighty Americans who were born in Upper Silesia and are entitled to vote in the plebiscite passed through Berlin to-day. Among them was an old couple from Milwaukee, the man 84 and the woman 82. They were born in Upper Silesia and were 79%.

The other Americans, who came from California, include a widower, 64 years old, who, in addition to casting his ballot is to marry a German woman, the daughter of an old time friend. The widow has several children.

"I have no children of my own and no heirs," said the man. "So I decided to come back to my old home and vote and eventually marry the daughter of an old schoolmate whose husband was killed in the war."

RADIO PHONE CARRIES SHOW TO FOUR STATES

First Exhibition of Musical Transmission a Success.

Small audiences in selected cities of Ohio, Illinois and Arkansas and the District of Columbia—listened last night to a reproduction by radio telephone of a vaudeville programme in the home of Robert F. Gowen, chief engineer of the District Radio Telephone and Telegraph Company. It was the first demonstration of musical transmission by wireless telephone. An orchestra played several selections, the Duncan Sisters sang, and the were instrumental numbers and a monologue.

Dr. Lee De Forest and a party of friends were present at the entertainment. The performers stood near a big sounding board, which carried their voices to an amplifier, thence to the radio transmitter and to the aerial. Mr. Gowen announced at the end of the performance that the stations sharing in the demonstration had reported they had heard the programme clearly.

The receiving stations were at Chicago, where R. H. O. Matthews, chief engineer of the Chicago Radio Laboratory, had invited guests to hear the New York vaudeville artists; at the home of the Rev. J. A. Manning, in Salem, Ohio; by Charles Candler and his guests at St. Mary's, Ohio; the Naval Radio Research Laboratories in Washington, D. C.; and by John Clayton and his guests at Little Rock, Ark.

Mr. Matthews relayed the wireless currents to Colorado Springs, Col.

1,608 SOLDIERS' BODIES HERE.

The bodies of 1,608 American soldiers who died in France during the war arrived here yesterday on the transport Somme from Antwerp. Five hundred and eighty-seven soldiers, who have been serving in the American army since the Rhine, returned on the transport, which will dock to-morrow.

WAR OF COMPULSION ASSAILED IN BRITAIN

J. L. Garvin, Editor of London 'Observer,' Says It Threatens Economic Ruin.

FIVE YEAR PLAN FAVORED

Former Lloyd George Supporter Declares: 'It Is We Who Are in Danger.'

Special Cable to THE NEW YORK HERALD. Copyright, 1921, by THE NEW YORK HERALD. London, March 13.

Signs of British discontent under the diplomatic "war of attrition" against Germany are becoming more noticeable. J. L. Garvin, editor of the Observer, hitherto one of Premier Lloyd George's warmest supporters, has a three-column article in that newspaper, under the heading "Crisis and the Indemnity: Quo Vadis Europe?" He accompanies the article with an editorial denouncing the entire work at Versailles except the League of Nations, and predicts that within five years another and sadder conference will be necessary, free from those individual and nationalistic selfishnesses such as Robert Lansing voted in his recently published article on Georges Clemenceau. Mr. Garvin says the way out is to settle on something for five years, which the Allies can collect and conclude.

At the end of such a period let the rest be subjected to a complete review by some authoritative tribunal with a neutral or an American element added to it.

Immediately following the decisions of the conference the Asquithian organs began a bitter attack along the lines of Sir George Paish's theories.

Significance of His Step.

The significance of Mr. Garvin joining the Opposition is that he is not only personally friendly with the Premier and the editor of Lord Astor's newspaper, but that he is one of the real leaders of the Unionist thought within the Coalition. He bases his attack on the London decisions, with the contention that they will ruin not only Germany, but England, and will get France nothing. He admits that to some extent there is a substantial divergence between the immediate interests of France and England, France being a self-sustaining, self-supporting agricultural society and England being virtually dependent upon the production of her raw materials. But he insists that a better way must be found without rupturing the Entente.

In a fusillade of crisp sentences, which he uses when excited, he declares: "It is we who are in danger—we for whom the restoration of all our pre-war trade connections is a matter of life and death, and we are to enjoy even a pre-war level of prosperity. We are on a fatal course. It cannot be for the benefit of France to make the Entente the economic means of our economic destruction, by imposing our shipping, stopping our factories and throwing more of our people into the streets. This cannot go on. In concert with France a better way must be found."

It is a madness, he says elsewhere, "a madness which, if long pursued, will bring the fundamental interests of this country—trade, employment and the commercial basis supporting the imperial structure—into the most dire peril and jeopardy that ever has been known."

Mr. Garvin asserts Premier Lloyd George himself realizes this, but he has been led by other forces.

Mr. Garvin compares the Rhine customs barrier to a similar separating line between Lancashire and the industrial Midlands or through France from Havre by way of Lyons to Marseilles. He says that this, with the killing of the German export trade, means the ruin of Germany, and that it is a madness.

"We already have 2,000,000 of unemployed. More than two years after the armistice, there is what we call 'starvation' and that is what we call compensation."

Prediction of Results.

After a few years along the lines of the Paris plan, Germany could only work up the enormous export surplus required to pay the Allies by driving British exports from every competitive market. France could only get compensation to a measure and in the way she imagines by the destruction of British trade. In a few years capital and labor alike, and every element of public opinion among us—chiefly labor—would combine to sweep the whole thing. There would be a complete reversal of our system, of our home and foreign policy alike.

There are two problems of equal importance. France has suffered a visible devastation of her invaded departments. Britain has suffered and is suffering equally serious injury through invisible damage to her means of livelihood as respects world commerce vital to the millions of her population who could not otherwise support the island.

"The Germans cannot escape the discharge in solid shape of their liability. France will see to that. She will keep her military and territorial grip on Germany even if she is to act alone. The Germans must come to some better agreement than Dr. Simons proposed, or in various ways we will secure from them whether public opinion likes or not the ultimate method of penalties."

EUROPEAN EXCHANGE FIXED.

QUAYTIL, Ecuador, March 12.—Government issued a decree to-day fixing the rate of exchange at 2.60 sucres on New York. The new rate will go into effect after March 16.

Under normal exchange rates the sucre is worth about fifty cents.

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Vandals Try to Blow Up Berlin's Victory Shaft

BERLIN, March 13.—An attempt to destroy the Victory Monument in the Koenigsplatz was frustrated to-day by the police. The officers discovered a box containing four pounds of dynamite and pincine some distance away from the monument and tore away a lighted fuse leading to the explosives.

THREAT TO CLOSE PLANTS ON RHINE

Continued from First Page.

the plea of the Ruhr valley ever since the French first proposed the occupation. "There is only one market left open and that is Russia. Germany's only hopes seem to lie in her being thrown with the Bolshevik army by the greed of the Allies."